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The Treasury Note

A monthly newsletter of California municipal finance
December 1, 2002

Recent State Bond Sales

If you are interested in purchasing any of the bonds mentioned below, please contact your broker.

Power Supply Revenue Bonds

On November 14, the State announced the successful completion of the Department of Water Resources (DWR) \$11.26 billion power bond sale. The sale was the largest municipal bond issue in history.

The \$11.26 billion bond was comprised of three components – \$6.31 billion tax-exempt, fixed rate bonds; \$4.25 billion tax-exempt variable and auction rate bonds; and \$700 million taxable fixed rate bonds. The sale achieved a true interest cost of 4.74 percent, taking into account assumed variable rates and the economic effects of swaps. The timing of the sale and the strong structure allowed the DWR to take advantage of historically low interest rates that will save ratepayers money.

The proceeds of the bonds repaid the State's General Fund for more than \$6 billion it loaned to DWR for the purchase of power during last year's energy crisis. The DWR used the remainder of the bond proceeds to repay an interim loan, fund reserves for the bond program, and pay costs of issuance and credit enhancements.

Revenue Anticipation Notes

The State sold \$3.5 billion in Revenue Anticipation Notes (RANs) on October 29. The State issued the notes to support its cash flow management needs for the 2002-2003 fiscal year.

The notes, rated F1 by Fitch Ratings, MIG 1 by Moody's Investor Services, and SP-1 by Standard & Poor's, sold at a true interest cost of 1.64 percent, and will mature on June 20, 2003.

The total authorization of RANs for this fiscal year was \$12.5 billion, \$9 billion of which sold in a previous issue on October 9, 2002. The October 29 sale consisted of \$500 million in fixed rate notes and \$3 billion in index notes. The State sold the notes in a negotiated sale.

State Public Works Board Bond Sale

The State sold \$460.6 million in State Public Works Board (SPWB) lease revenue bonds on November 20. The bulk of the bond proceeds, \$455.1 million, is for the Department of General Services to complete construction on the Capitol East End Complex and repay an interim loan. The remaining \$5.5 million is for the Department of the Youth Authority to fund a mental health services building and a visitor's center.

The three major rating agencies, Fitch Ratings, Moody's Investors Service, and Standard & Poor's, rated the bonds A+, A2, and A, respectively. The bonds sold in a negotiated sale at the true interest cost of 4.802 percent.

Bond Issues on the November 2002 Ballot

The following are the results of the statewide bond measures that appeared on the November ballot.

YES NO Proposition 46 – Housing and Emergency Shelter Trust Fund Act of 2002



This measure allows the State to sell \$2.1 billion of general obligation bonds to fund 21 housing programs.

YES NO Proposition 47 – Kindergarten-University Public Education Facilities Bond Act of 2002



This measure allows the State to issue \$13.05 billion of general obligation bonds for construction and renovation of K-12 school facilities (\$11.4 billion) and higher education facilities (\$1.65 billion).

YES NO Proposition 50 – Water Quality, Supply and Safe Drinking Water Projects. Coastal Wetlands Purchase and Protection Bonds



This measure allows the State to sell \$3.44 billion in general obligation bonds for various water-related programs. More than half of the funds would be allocated to two purposes – coastal protection and the CALFED Bay-Delta Program.

Redemptions & Defeasances

There are no officially announced redemptions and defeasances as of December 1, 2002.

Tax Time

If you received a redemption payment in 2002 from the State Treasurer's Office or the Bank of New York, our fiscal agent, you will receive a 1099-B notice. Our office, or the Bank of New York, will mail this form on or before January 31, 2003.

If you have questions regarding the 1099-B notice, please contact the California State Treasurer's Office at (800) 900-3873 or the Bank of New York at (800) 438-5473.

Information & Assistance

To receive The Treasury Note newsletter monthly or for bond related questions contact *Investor Relations* at (800) 900-3873.

For updated information regarding upcoming bond sales, the State's credit rating, and other bond related information, log on to our website at www.treasurer.ca.gov.



Bond Sales Calendar^{1, 2}

If you are interested in purchasing any of these bonds, please contact your broker two weeks before the sale date. For updated information, check our website (www.treasurer.ca.gov) or call *Investor Relations*.

PROPOSED BOND SALES	AMOUNT	SALE DATE
Tobacco Securitization Bonds	\$4.5 billion	Winter/Spring 2003

¹ Subject to change

² Economic refundings may be added